

*City of Imlay City  
Imlay City, Michigan*



**Financial Statements**

**For the Year Ended June 30, 2008**



**REHMANN ROBSON**

*Certified Public Accountants*

# CITY OF IMLAY CITY

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# REHMANN ROBSON

*Certified Public Accountants*

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## INDEPENDENT AUDITORS' REPORT

December 10, 2008

To the City Commission  
City of Imlay City  
Imlay City, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of ***City of Imlay City***, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of ***City of Imlay City***, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons of the General and Lamb Steele Governmental Funds for the year then ended in conformity with accounting principles general accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2008, on our consideration of the ***City of Imlay City***'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on pages 3-10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ***City of Imlay City***'s basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

## **CITY OF IMLAY CITY, MICHIGAN MANAGEMENT DISCUSSION AND ANALYSIS**

This section of the City of Imlay City's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the City's financial statements.

### **Financial Highlights**

As discussed in further detail in this analysis, the following represents the most significant financial highlights for the year ended June 30, 2008:

- The City's total net assets related to governmental activities are reported as \$8,111,484 for the fiscal year ended June 30, 2008, compared to \$7,836,952 last fiscal year.
- The total cost of all of the City's programs, including governmental activities and business-type activities was \$4.38 million.
- Total net assets increased \$274,532.

### **Overview of the Financial Statements**

This annual report consists of a series of financial statements. The first two statements, the *Statement of Net Assets* and the *Statement of Activities*, provide information about the activities of the City of Imlay City as a whole and present a longer-term view of the City's finances. The remaining statements, including governmental funds, proprietary funds, and fiduciary funds focus on how City services were financed in the short term, as well as what remains for future spending. Fund financial statements report the City of Imlay City's operations in more detail than the government-wide financial statements.

The financial statements include notes that explain and provide more detailed data about some of the information found in the financial statements. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental, business-type, internal service, and fiduciary funds, each of which are added together and presented in single columns in the basic financial statements.

## **CITY OF IMLAY CITY, MICHIGAN MANAGEMENT DISCUSSION AND ANALYSIS**

### **Government-wide Statements**

The government-wide statements report information about the City of Imlay City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the change in the difference between the City's assets and liabilities. This change in net assets is an indicator of whether the City's financial health is improving or deteriorating. In order to assess the overall health of the City, you need to consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads and other infrastructure.

The government-wide financial statements of the City of Imlay City are divided into two categories:

- Governmental activities – Most of the City's basic services are included here, such as police, fire, public works, parks and recreation, and general administration. Property taxes, state shared revenue, and charges for services finance most of these activities.
- Business-type activities – The City charges fees to customers to help cover the cost of certain services it provides. The City's business-type activities include water purchase and distribution and sanitary sewer collection and treatment systems.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

The City of Imlay City has two types of funds:

- Governmental funds – Most of the City's basic services are included in governmental funds, which focus on how cash, and other financial assets that can readily be converted to cash, flow in and out. The funds also show the balances left at year-end that are available for spending.

## **CITY OF IMLAY CITY, MICHIGAN MANAGEMENT DISCUSSION AND ANALYSIS**

The governmental fund statements focus on a short-term view rather than the long-term focus of the government-wide statements, so additional information is provided after the governmental fund statements that explain the relationship or differences between the fund and government-wide statements.

- Proprietary funds – Proprietary funds are used to report services where the City charges customers a fee for services rendered. Proprietary funds provide both long and short-term financial information. The two types of proprietary funds are enterprise and internal service funds.
  - Enterprise funds and business-type activities are the same, but the fund statements provide more detail and additional information such as cash flows.
  - Internal Service funds are used to report activities that provide supplies and services for the City's other programs. An example of an internal service fund would be Motor Pool Equipment.
- Fiduciary funds – Fiduciary funds are used to report monies that are collected on behalf of other agencies. This would account for County, School, and Intermediate School taxes.

### **The City of Imlay City as a Whole**

The City's combined total net assets for the fiscal year ended June 30, 2008, is \$15.9 million. Business-type activities comprise \$7.8 million and governmental activities make up \$8.1 million of the total net assets.

Combined unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, is reported as \$5.7million, of which \$3.7 million is the amount of unrestricted net assets reported for the City of Imlay City's governmental activities.



## CITY OF IMLAY CITY, MICHIGAN MANAGEMENT DISCUSSION AND ANALYSIS

The following table shows the net assets as of June 30, 2008.

	Governmental Activities	Governmental Activities	Business- Type Activities	Business- Type Activities
	2008	2007	2008	2007
<b>Assets</b>				
Current Assets	4,143,681	4,073,871	1,821,949	2,014,650
Noncurrent Assets	5,903,672	5,743,815	9,619,664	9,439,034
<b>Total Assets</b>	10,047,353	9,817,686	11,441,613	11,453,684
<b>Liabilities</b>				
Current Liabilities	287,133	116,244	170,567	102,921
Long-term Liabilities	1,648,736	1,864,490	3,495,000	3,705,000
<b>Total Liabilities</b>	1,935,869	1,980,734	3,665,567	3,807,921
<b>Net Assets</b>				
Invested in Capital Assets – Net of Related Debt	4,421,832	3,850,108	5,806,422	5,734,034
Restricted	155,109	305,286		
Unrestricted	3,534,543	3,681,558	1,969,624	1,911,729
<b>Total Net Assets</b>	8,111,484	7,836,952	7,776,046	7,645,763

### **Governmental Activities**

The City of Imlay City's total governmental revenue is reported at \$2,430,434, a decrease of \$99,367 from the prior year. This was primarily attributed to grant funding that was received in the prior year.

### **Governmental Activities**

Expenses increased by \$86,225 from the prior year. Expenses were increased in the public safety activities due to the purchase of a fire vehicle.

## **CITY OF IMLAY CITY, MICHIGAN MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business-type Activities**

The City of Imlay City's business-type activities consist of water and sanitary sewer services. Drinking water is purchased from the Detroit Water and Sewerage System and distributed to City residents via the City's distribution system. Sewer services are provided through the City's own collection and treatment system. There was no increase in charges for the services in fiscal year 2008 as the City of Detroit did not increase its rates to the City of Imlay.

Revenues for business-type activities were \$1,439,222. Items include water service charges and sanitary sewer service charges.

### **The City of Imlay City's Funds**

Analysis of the City of Imlay City's major funds begins following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City of Imlay City as a whole. Funds are created to help manage money for specific purposes, as well as to show accountability for certain activities, such as specific property tax millages and restricted receipts from Federal and State sources. The City of Imlay City's major funds for 2008 include the General Fund, Lamb/Steele, Internal Service Funds, and Water and Sanitary Sewer Fund. General Fund pays for most of the City of Imlay City's governmental services.

### **General Fund Budgetary Highlights**

Over the course of the year, the City Commission amended the budget to take into account events during the year. Revenues for General Fund amounted to \$2,030 more than budgeted. Expenditures for the fiscal year came in \$151,526 more than the budgeted amount. Overall expenses for the City were 6.91 percent more than the budgeted amount due to a purchase of capital equipment for the Fire Department.

### **Capital Asset and Debt Administration**

At the end of 2008, the City of Imlay City had \$15.1 million invested in a broad range of capital assets including land, buildings, police and fire equipment, water and sewer lines, roads, sidewalks, and other infrastructure. Total governmental activities capital assets were \$5,879,025. Business activities capital assets amounted to \$9,301,422. Additional information about the City's capital assets is presented in Notes to the Financial Statements.

## **CITY OF IMLAY CITY, MICHIGAN MANAGEMENT DISCUSSION AND ANALYSIS**

The City of Imlay City's debt rating remains at BBB+ by Standard and Poors. The City of Imlay City's bond indebtedness totaled \$5,143,736 at June 30, 2008. Additional information about the City's long-term debt can be found in the Notes to the Financial Statements.

### **Current Economic Events**

The City of Imlay City's budget for 2009 calls for a millage rate of 15.35. These rates are a reduction of two mills over the prior year. Property taxes make up approximately 61.4 percent of the General Fund budget. The budget was prepared using conservative measures to balance revenue and expenditures without using fund balance. The statewide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or five percent. Because some properties increase in value by less than inflation, the mathematical result is that the total taxable value for the City of Imlay City will grow less than inflation before considering new property additions. With conservative budget forecasting of revenues and realistic expenditure estimates, the use of fund balance should be limited.

State shared revenue payments are forecasted conservatively. The 2009 budget has been prepared forecasting a 20% reduction in State shared revenues. The intent is to totally eliminate the City's dependence on these revenues over a five-year period.

The City purchases its drinking water services from the City of Detroit. Historically, the City has passed along the full water rate increases to customers. The City's rate structure supports the provision of drinking water in addition to system operations, maintenance and improvements.

### **Contacting the City of Imlay City's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the City of Imlay City's financial condition. If you have questions about this report or need additional information, we welcome you to contact the administrative offices at City Hall, 150 North Main Street, Imlay City, Michigan 48444.

Additional information can be obtained at the City of Imlay City's web site, [www.imlaycity.org](http://www.imlaycity.org)

**CITY OF IMLAY CITY**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2008**

	Governmental Activities	Business-type Activities	Total	Component Unit
<b>Assets</b>				
Cash and cash equivalents	\$ 547,827	\$ 232,723	\$ 780,550	\$ 269,580
Investments	3,426,413	1,473,343	4,899,756	101,171
Receivables	169,441	115,883	285,324	749
Internal balances	18,769	(18,769)	-	-
Prepays and other assets	5,878	39,872	45,750	-
Restricted assets - cash and cash equivalents	-	297,139	297,139	-
Capital assets, net				
Assets not being depreciated	1,086,066	55,798	1,141,864	113,477
Assets being depreciated	4,792,959	9,245,624	14,038,583	874,051
<b>Total assets</b>	<b>10,047,353</b>	<b>11,441,613</b>	<b>21,488,966</b>	<b>1,359,028</b>
<b>Liabilities</b>				
Accounts payable	240,565	154,933	395,498	27,712
Deposits	46,568	15,634	62,202	-
Non-current liabilities:				
Due within one year	222,900	210,000	432,900	89,432
Due in more than one year	1,425,836	3,285,000	4,710,836	527,669
<b>Total liabilities</b>	<b>1,935,869</b>	<b>3,665,567</b>	<b>5,601,436</b>	<b>644,813</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	4,421,832	5,806,422	10,228,254	370,427
Restricted for:				
Capital projects	155,109	-	155,109	-
Unrestricted	3,534,543	1,969,624	5,504,167	343,788
<b>Total net assets</b>	<b>\$ 8,111,484</b>	<b>\$ 7,776,046</b>	<b>\$ 15,887,530</b>	<b>\$ 714,215</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF IMLAY CITY**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2008**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government					
Governmental activities:					
Legislative	\$ 139,582	\$ -	\$ -	\$ -	\$ (139,582)
General government	422,023	139,721	84,338	-	(197,964)
Public safety	1,067,732	47,250	48,119	-	(972,363)
Public works	636,080	118,542	273,773	-	(243,765)
Culture and recreation	336,628	17,397	-	-	(319,231)
Interest on long-term debt	60,250	-	-	-	(60,250)
Total governmental activities	2,662,295	322,910	406,230	-	(1,933,155)
Business-type activities:					
Water / Sewer	1,720,824	1,434,437	-	-	(286,387)
Total primary government	<u>\$ 4,383,119</u>	<u>\$ 1,757,347</u>	<u>\$ 406,230</u>	<u>\$ -</u>	<u>\$ (2,219,542)</u>
Component unit					
Downtown Development Authority	<u>\$ 431,227</u>	<u>\$ 5,815</u>	<u>\$ 208,550</u>	<u>\$ 330</u>	<u>\$ (216,532)</u>

continued...

# CITY OF IMLAY CITY

## STATEMENT OF ACTIVITIES (CONCLUDED)

**FOR THE YEAR ENDED JUNE 30, 2008**

Functions/Programs	Governmental Activities	Business-type Activities	Total	Component Unit
Change in net assets				
Net (expense) revenue	\$ (1,933,155)	\$ (286,387)	\$ (2,219,542)	\$ (216,532)
General revenues:				
Property taxes	1,476,921	410,291	1,887,212	373,117
Grants and contributions not restricted to specific programs	403,852	-	403,852	-
Unrestricted investment earnings	231,226	93,488	324,714	11,077
Miscellaneous general revenues	3,794	4,785	8,579	-
Transfers - internal activities	91,894	(91,894)	-	-
Total general revenues	2,207,687	416,670	2,624,357	384,194
Change in net assets	274,532	130,283	404,815	167,662
Net assets, beginning of the year	7,836,952	7,645,763	15,482,715	546,553
Net assets, end of year	\$ 8,111,484	\$ 7,776,046	\$ 15,887,530	\$ 714,215

The accompanying notes are an integral part of these financial statements.

# CITY OF IMLAY CITY

## BALANCE SHEET GOVERNMENTAL FUNDS

**JUNE 30, 2008**

	General	Lamb Steele	Other Governmental Funds	Totals
<b>Assets</b>				
Cash and cash equivalents	\$ 111,393	\$ 60,868	\$ 371,800	\$ 544,061
Investments	1,434,190	1,385,861	586,362	3,406,413
Accounts receivable	41,633	1,884	-	43,517
Loans receivable	-	-	28,184	28,184
Prepays	5,878	-	-	5,878
Due from other funds	1,959	-	-	1,959
Due from other governmental units	77,512	-	20,228	97,740
	<u>\$ 1,672,565</u>	<u>\$ 1,448,613</u>	<u>\$ 1,006,574</u>	<u>\$ 4,127,752</u>
<b>Total assets</b>				
	<u>\$ 1,672,565</u>	<u>\$ 1,448,613</u>	<u>\$ 1,006,574</u>	<u>\$ 4,127,752</u>
<b>Liabilities and fund equity</b>				
<b>Liabilities</b>				
Accounts payable	\$ 85,467	\$ 3,526	\$ 147,114	\$ 236,107
Deferred revenue	-	-	28,184	28,184
Deposits	46,568	-	-	46,568
	<u>132,035</u>	<u>3,526</u>	<u>175,298</u>	<u>310,859</u>
<b>Total liabilities</b>				
	<u>132,035</u>	<u>3,526</u>	<u>175,298</u>	<u>310,859</u>
<b>Fund equity</b>				
Fund balances				
Unreserved:				
Designated for:				
Industrial park loan	95,500	-	-	95,500
Environmental remediation	50,000	-	-	50,000
Capital improvements	900,000	-	-	900,000
Undesignated, reported in:				
General fund	495,030	-	-	495,030
Special revenue funds	-	1,445,087	676,160	2,121,247
Capital projects funds	-	-	155,109	155,109
Debt service funds	-	-	7	7
	<u>1,540,530</u>	<u>1,445,087</u>	<u>831,276</u>	<u>3,816,893</u>
<b>Total fund equity</b>				
	<u>1,540,530</u>	<u>1,445,087</u>	<u>831,276</u>	<u>3,816,893</u>
<b>Total liabilities and fund equity</b>				
	<u>\$ 1,672,565</u>	<u>\$ 1,448,613</u>	<u>\$ 1,006,574</u>	<u>\$ 4,127,752</u>

The accompanying notes are an integral part of these financial statements.

## CITY OF IMLAY CITY

### RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2008

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Fund balances - total governmental funds	\$ 3,816,893
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Amounts reported for *governmental activities* in the statement of net assets  
are different because:

Capital assets used in governmental activities are not financial resources and  
therefore are not reported in the funds.

Add - capital assets	8,079,974
Deduct - accumulated depreciation	(2,386,004)

Because the focus of governmental funds is on short-term financing, some assets will not be  
available to pay for current-period expenditures. Those assets (such as certain receivables)  
are offset by deferred revenues in the governmental funds, and thus are not included in  
fund balance.

Add - deferred revenue for loans receivable	28,184
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Certain liabilities are not due and payable in the current period and therefore are  
not reported in the funds.

Deduct - general obligation bonds	(1,270,000)
Deduct - installment purchase contracts	(141,871)
Deduct - environmental remediation	(8,788)
Deduct - compensated absences	(182,755)

Internal service funds are used by management to charge the costs of certain  
activities to individual funds. The assets and liabilities of the internal service  
funds are included in governmental activities in the statement of net assets.

Add - net assets of governmental activities accounted for in the internal service funds	<u>175,851</u>
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Net assets of governmental activities	<u><u>\$ 8,111,484</u></u>
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The accompanying notes are an integral part of these financial statements.



# CITY OF IMLAY CITY

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

**FOR THE YEAR ENDED JUNE 30, 2008**

	General	Lamb Steele	Other Governmental Funds	Totals
Revenues				
Taxes	\$ 1,476,921	\$ -	\$ -	\$ 1,476,921
Intergovernmental revenue				
State	503,473	-	273,773	777,246
Charges for services	271,185	-	-	271,185
Fines and forfeits	6,499	-	-	6,499
Licenses and permits	2,350	-	-	2,350
Rent	-	11,250	-	11,250
Interest	104,278	74,695	50,199	229,172
Other revenues	65,728	-	2,528	68,256
Total revenues	2,430,434	85,945	326,500	2,842,879
Expenditures				
Legislative	139,510	-	-	139,510
General government	401,259	-	-	401,259
Public safety	1,208,681	-	1,216	1,209,897
Public works	369,111	56,379	222,493	647,983
Recreation and cultural	179,431	-	-	179,431
Insurance	13,000	-	-	13,000
Capital outlay	-	-	160,529	160,529
Debt service	34,210	-	198,087	232,297
Total expenditures	2,345,202	56,379	582,325	2,983,906
Revenues over (under) expenditures	85,232	29,566	(255,825)	(141,027)
Other financing sources (uses)				
Transfer in	19,500	-	215,908	235,408
Transfer out	(33,599)	(10,000)	(99,915)	(143,514)
Total other financing sources (uses)	(14,099)	(10,000)	115,993	91,894
Net changes in fund balances	71,133	19,566	(139,832)	(49,133)
Fund balances, beginning of year	1,469,397	1,425,521	971,108	3,866,026
Fund balances, end of year	\$ 1,540,530	\$ 1,445,087	\$ 831,276	\$ 3,816,893

The accompanying notes are an integral part of these financial statements.

## CITY OF IMLAY CITY

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

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Net change in fund balances - total governmental funds	\$ (49,133)
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Amounts reported for *governmental activities* in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities, the cost of those assets is allocated over their estimated  
useful lives and reported as depreciation expense.

Add - capital additions	485,994
Deduct - depreciation expense	(301,731)

Bond proceeds provide current financial resources to governmental funds in the period  
issued, but issuing bonds increases long-term liabilities in the statement of net assets.  
Repayment of bond principal is an expenditure in the governmental funds, but the  
repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on general obligation bonds	120,000
Add - principal payments on installment purchase contracts	52,246
Add- decrease in compensated absences	19,122
Add - decrease in environmental liability	10,149

Internal service funds are used by management to charge the costs of certain equipment  
usage to individual funds. The net revenue attributable to those funds is  
reported with governmental activities.

Add - interest revenue from governmental activities in internal service funds	2,054
Deduct - interest expense from governmental activities in internal service funds	(1,842)
Deduct - net operating loss from governmental activities in internal service funds	<u>(62,327)</u>

Change in net assets of governmental activities	<u><u>\$ 274,532</u></u>
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The accompanying notes are an integral part of these financial statements.

# CITY OF IMLAY CITY

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL GENERAL FUND

**FOR THE YEAR ENDED JUNE 30, 2008**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Taxes	\$ 1,472,624	\$ 1,482,278	\$ 1,476,921	\$ (5,357)
Intergovernmental revenue -				
State of Michigan	427,645	501,882	503,473	1,591
Charges for services	271,125	274,829	271,185	(3,644)
Fines and forfeits	45,250	7,850	6,499	(1,351)
Licenses and permits	200	700	2,350	1,650
Interest	80,000	90,000	104,278	14,278
Other revenues	67,235	70,865	65,728	(5,137)
Total revenues	<u>2,364,079</u>	<u>2,428,404</u>	<u>2,430,434</u>	<u>2,030</u>
Expenditures				
Legislative	103,027	144,645	139,510	(5,135)
General government	410,711	394,011	401,259	7,248
Public safety	1,161,744	1,035,707	1,208,681	172,974
Public works	425,820	375,204	369,111	(6,093)
Recreation and cultural	132,010	191,901	179,431	(12,470)
Insurance	13,000	18,000	13,000	(5,000)
Debt service	34,208	34,208	34,210	2
Total expenditures	<u>2,280,520</u>	<u>2,193,676</u>	<u>2,345,202</u>	<u>151,526</u>
Revenues over (under) expenditures	<u>83,559</u>	<u>234,728</u>	<u>85,232</u>	<u>(149,496)</u>
Other financing sources (uses)				
Transfer in	29,500	19,500	19,500	-
Transfer out	(39,200)	(39,099)	(33,599)	5,500
Total other financing sources (uses)	<u>(9,700)</u>	<u>(19,599)</u>	<u>(14,099)</u>	<u>5,500</u>
Net changes in fund balance	73,859	215,129	71,133	(143,996)
Fund balance, beginning of year	<u>1,472,959</u>	<u>1,472,959</u>	<u>1,469,397</u>	<u>(3,562)</u>
Fund balance, end of year	<u><u>\$ 1,546,818</u></u>	<u><u>\$ 1,688,088</u></u>	<u><u>\$ 1,540,530</u></u>	<u><u>\$ (147,558)</u></u>

The accompanying notes are an integral part of these financial statements.

# CITY OF IMLAY CITY

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL LAMB STEELE

**FOR THE YEAR ENDED JUNE 30, 2008**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Rent	\$ 7,500	\$ 13,811	\$ 11,250	\$ (2,561)
Interest	<u>55,000</u>	<u>70,000</u>	<u>74,695</u>	<u>4,695</u>
Total revenues	<u>62,500</u>	<u>83,811</u>	<u>85,945</u>	<u>2,134</u>
Expenditures				
Supplies	1,000	1,000	852	(148)
Contracted services	19,000	26,000	34,493	8,493
Insurance	710	631	631	-
Utilities	10,550	15,700	9,627	(6,073)
Repairs and maintenance	15,000	10,000	511	(9,489)
Miscellaneous	20,380	10,980	487	(10,493)
Contribution	<u>9,500</u>	<u>9,500</u>	<u>9,778</u>	<u>278</u>
Total expenditures	<u>76,140</u>	<u>73,811</u>	<u>56,379</u>	<u>(17,432)</u>
Revenues over (under) expenditures	(13,640)	10,000	29,566	19,566
Other financing uses				
Transfer out	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Net change in fund balance	(23,640)	-	19,566	19,566
Fund balance, beginning of year	<u>1,425,521</u>	<u>1,425,521</u>	<u>1,425,521</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,401,881</u></u>	<u><u>\$ 1,425,521</u></u>	<u><u>\$ 1,445,087</u></u>	<u><u>\$ 19,566</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF IMLAY CITY**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**

**JUNE 30, 2008**

	Water / Sewer Enterprise Fund	Internal Service Funds
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 232,723	\$ 3,766
Investments	1,473,343	20,000
Accounts receivable	115,883	-
Unamortized bond issuance costs	39,872	-
Restricted assets:		
Bond reserves	297,139	-
Total current assets	<u>2,158,960</u>	<u>23,766</u>
Capital assets		
Nondepreciable capital assets	55,798	-
Depreciable capital assets	14,636,336	858,591
Less accumulated depreciation	<u>(5,390,712)</u>	<u>(673,536)</u>
Total capital assets	<u>9,301,422</u>	<u>185,055</u>
Total assets	<u>11,460,382</u>	<u>208,821</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	154,933	4,458
Due to other funds	-	1,959
Current portion - bonds payable	210,000	-
Current portion - installment purchase	-	14,675
Customer deposits	15,634	-
Total current liabilities	<u>380,567</u>	<u>21,092</u>
Long-term liabilities		
Bonds payable	3,285,000	-
Installment purchase	<u>-</u>	<u>30,647</u>
Total long-term liabilities	<u>3,285,000</u>	<u>30,647</u>
Total liabilities	<u>3,665,567</u>	<u>51,739</u>
Net Assets		
Invested in capital assets, net of related debt	5,806,422	139,733
Unrestricted	<u>1,988,393</u>	<u>17,349</u>
Total Net Assets	7,794,815	<u><u>\$ 157,082</u></u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise fund	<u>(18,769)</u>	
Net assets of business-type activities on the government- wide statement of net assets	<u><u>\$ 7,776,046</u></u>	

The accompanying notes are an integral part of these financial statements.

**CITY OF IMLAY CITY**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Water / Sewer Enterprise Fund	Internal Service Funds
Operating revenues		
Charges for services	\$ 1,422,462	\$ 106,720
Reimbursements	5,651	-
Rental income	6,324	-
Miscellaneous	4,785	-
Total operating revenues	<u>1,439,222</u>	<u>106,720</u>
Operating expenses		
Wages and benefits	350,531	52,196
Water purchases	493,269	-
Utilities	78,711	-
Equipment rental	10,170	-
Gas and oil	868	17,516
Operating supplies	22,529	8,462
Telephone	3,996	-
Transportation and conferences	1,965	-
Miscellaneous	13,204	325
Depreciation	343,452	49,143
Repairs & maintenance	28,581	32,849
Insurance	17,012	18,324
Contracted services	173,386	-
Total operating expenses	<u>1,537,674</u>	<u>178,815</u>
Operating income (loss)	<u>(98,452)</u>	<u>(72,095)</u>
Nonoperating revenues (expenses)		
Property taxes	410,291	-
Interest revenue	93,488	2,054
Amortization of bond issuance costs	(5,692)	-
Interest expense	(167,690)	(1,842)
Total non operating revenues (expenses)	<u>330,397</u>	<u>212</u>
Income (loss) before transfers	231,945	(71,883)
Transfer out	(91,894)	-
Change in net assets	140,051	(71,883)
Net assets, beginning of year		<u>228,965</u>
Net assets, end of year		<u>\$ 157,082</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise fund	<u>(9,768)</u>	
Change in net assets of business-type activities	<u>\$ 130,283</u>	

The accompanying notes are an integral part of these financial statements.

**CITY OF IMLAY CITY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Water / Sewer Enterprise Fund	Internal Service Funds
Cash flows from operating activities		
Cash received from customers	\$ 1,524,913	\$ -
Cash received from interfund services provided	-	108,679
Cash payments to suppliers for goods and services	(783,552)	(74,985)
Cash payments to employees for services	(350,531)	(52,196)
Net cash provided by (used in) by operating activities	390,830	(18,502)
Cash from capital and related financing activities		
Interest on debt	(167,690)	(1,842)
Principal payments on debt	(210,000)	(14,237)
Acquisition of capital assets	(204,025)	-
Net cash (used in) capital and related activities	(581,715)	(16,079)
Cash from noncapital and related financing activities		
Property taxes	410,291	-
Transfers out	(91,894)	-
Net cash provided by (used in) noncapital related activities	318,397	-
Cash flows from investing activities		
Purchase of investments	(84,182)	-
Sale of investments	-	25,000
Interest on investments	93,488	2,054
Net cash provided by investing activities	9,306	27,054
Net increase (decrease) in cash and cash equivalents	136,818	(7,527)
Cash and cash equivalents, beginning of year	393,044	11,293
Cash and cash equivalents, end of year	\$ 529,862	\$ 3,766
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	\$ (98,452)	\$ (72,095)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	343,452	49,143
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	79,999	-
Other assets	5,692	-
Accounts payable	60,493	2,491
Due to other funds	-	1,959
Customer deposits	(354)	-
Net cash provided by (used in) operating activities	\$ 390,830	\$ (18,502)
Non-cash investing, capital and financing transactions		
All dividends and interest income were immediately reinvested in the cash management funds.		

The accompanying notes are an integral part of these financial statements.

# CITY OF IMLAY CITY

## STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2008

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	Agency Fund
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 9,280
	<hr/>
LIABILITIES	
Due to other governmental units	\$ 9,280
	<hr/>

The accompanying notes are an integral part of these financial statements.



# CITY OF IMLAY CITY

## NOTES TO FINANCIAL STATEMENTS

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Imlay City, Michigan, (the “City”) conform to generally accepted accounting principles as applicable to government units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

#### **REPORTING ENTITY**

The City is organized under Michigan’s Comprehensive Home Rule City Act. A seven member City Commission is the governing body elected by the community at large. The Commission appoints a City Manager to administer the affairs of the City.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City and its component unit. The component unit discussed below is included in the City’s reporting entity because it is an entity for which the City is considered to financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

#### **Discretely Presented Component Unit**

*Downtown Development Authority (“DDA”)* – The City appoints a voting majority and is able to impose its will on the DDA. It is responsible for compliance with federal grants received in conjunction with the DDA’s projects. In accordance with Statement of Michigan Governmental Accounting and Auditing No. 5, the DDA has been discretely presented. The DDA does not issue any other formal financial statements except as contained in the City of Imlay City’s Annual Financial Report.

#### **Joint Operations**

*Lapeer County Emergency Medical Service (the “Authority”)* – The City is a member of the Authority, a joint venture that operates under the Urban Corporation Act of 1967. Various local units of government within Lapeer County have elected to provide ambulance services to residents within their area by joining the Authority. Each local unit appoints one individual to serve on the Board of Directors. The Authority has locations in Lapeer, North Branch and Imlay City. During the year ended June 30, 2008, the City contributed approximately \$7,107 toward the Authority’s operations. The City’s interest in net assets of the Authority is not significant.

# CITY OF IMLAY CITY

## NOTES TO FINANCIAL STATEMENTS

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As a result of the financial difficulties incurred by the Authority, the City may be required to make additional contributions in future periods to sustain the Authority's operations. The amount and timing of the City's contributions, if any, are not known at this time.

Complete financial statements for the Authority can be obtained from Lapeer County Emergency Medical Service, 3056 Davison Road, Suite 1, Lapeer, Michigan 48446.

### **GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for Agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are

# CITY OF IMLAY CITY

## NOTES TO FINANCIAL STATEMENTS

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recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Lamb Steele fund* accounts for the revenue and the related operation and maintenance of the Lamb Steele building.

The government reports the following major proprietary fund:

The *water and sewer fund* accounts for the activities of the government's water distribution and sewage disposal and treatment system.

Additionally, the City reports the following fund types:

The *internal service funds* account for the equipment rental and insurance services provided to other departments or agencies of the government on a cost reimbursement basis.

# CITY OF IMLAY CITY

## NOTES TO FINANCIAL STATEMENTS

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*Agency funds* are used to account for the assets held for other governments in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund are charges to customers for sales and services. The water and sewer fund also recognize as operating revenues the portion of tap-in fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

# CITY OF IMLAY CITY

## NOTES TO FINANCIAL STATEMENTS

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### **ASSETS, LIABILITIES AND EQUITY**

#### ***Deposits and investments***

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

Investments are reported at fair value.

#### ***Receivables and payables***

All receivables and payables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

#### ***Prepaid items***

Certain payments made to vendors are for services applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

#### ***Restricted assets***

Restricted assets are assets that have been set aside for debt service principal and interest, operations and maintenance and a bond reserve.

# CITY OF IMLAY CITY

## NOTES TO FINANCIAL STATEMENTS

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### ***Capital assets***

Capital assets, which include property, plant, and equipment (the City owns infrastructure assets such as water and sewer systems and roads and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

As permitted by GASB Statement No. 34, the City has elected not to report governmental infrastructure (principally roads and sidewalks) acquired prior to July 1, 2003.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u><b>Assets</b></u>	<u><b>Years</b></u>
Public domain infrastructure	20
Water and sewer system	20-70
Treatment plant and water tower	40-50
Building improvements	50
Vehicles	3-5
Machinery and equipment	5-10

### ***Compensated absences***

The City's policy allows employees to accumulate earned but unused vacation benefits. Accumulated sick and vacation is accrued when incurred in the proprietary funds. A liability for these amounts is reported in governmental funds only if they matured, for example, as a result of employee resignations and retirements.

# **CITY OF IMLAY CITY**

## **NOTES TO FINANCIAL STATEMENTS**

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The unpaid sick and vacation pay that is applicable to governmental fund types is reported in the Statement of Net Assets.

### ***Long-term obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### ***Fund equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. BUDGETS AND BUDGETARY ACCOUNTING**

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

- Prior to June 1, the departments submit to the City Council a proposed departmental operating budget for the fiscal year commencing the following July 1. This operating budget includes proposed expenditures and means of financing them.
- Public hearings are conducted at the governmental center to obtain taxpayer comments.

# CITY OF IMLAY CITY

## NOTES TO FINANCIAL STATEMENTS

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- Prior to July 1, the budget is legally enacted through passage of an ordinance.
- All budget appropriations lapse at year-end. Budgetary amounts reported herein are as originally adopted, or as amended by the City Council throughout the operating year.
- Annual budgets are legally adopted and formal budgetary integration is employed as a management control device during the year for the General fund and Special Revenue Funds.
- Budgets for the General and Special Revenue Funds are prepared on a modified accrual basis. This method is consistent with generally accepted accounting principles (“GAAP”).
- The legal level of control is at the function level for the General and Special Revenue Funds.
- Revisions that alter the total expenditures of any fund or total department expenditures in the General Fund must be approved by the City Council.

### **B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The following funds had expenditures exceeding budgeted appropriations at the functional level, which is the City’s legal level of budgetary control for the year ended June 30, 2008:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>GENERAL FUND</b>			
<b>General government</b>			
Clerk/treasurer	\$ 156,004	\$ 158,275	\$ (2,271)
Rental inspection	29,057	30,939	(1,882)
Planning commission	36,470	55,074	(18,604)
<b>Public safety</b>			
Fire department	169,680	348,831	(179,151)
<b>Debt service</b>			
Principal	32,566	32,567	(1)
Interest and fiscal charges	1,642	1,643	(1)
<b>LAMB STEELE</b>			
Contracted services	26,000	34,493	(8,493)
Contribution	9,500	9,778	(278)



**CITY OF IMLAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**

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**III. DETAILED NOTES ON ALL FUNDS**

**A. DEPOSITS AND INVESTMENTS**

A reconciliation of cash and investments as shown in the financial statements to the City's deposits and investments is as follows:

	<b><u>Total</u></b>
Government-wide Financial Statement Captions:	
Primary government	
Cash and cash equivalents	\$ 780,550
Investments	4,899,756
Restricted assets - cash and cash equivalents	297,139
Component unit	
Cash and cash equivalents	269,580
Investments	101,171
Fiduciary Fund Financial Statement Captions:	
Cash and cash equivalents	<u>9,280</u>
Total	<u><u>\$ 6,357,476</u></u>
Notes to Financial Statements:	
Deposits	\$ 3,574,706
Investments	2,781,970
Cash on hand	<u>800</u>
Total	<u><u>\$ 6,357,476</u></u>

# CITY OF IMLAY CITY

## NOTES TO FINANCIAL STATEMENTS

The City chooses to disclose its investments by specifically identifying each. As of year-end, the City had the following investments.

Investment	Maturity	Fair Value	Ratings
MBIA	N/A	\$ 847,482	Fitch AAA / V1+
Comerica Bank Money Market	N/A	116,172	N/A
Treasury Portfolio Sweep Account	N/A	346,000	S&P AAA
CSB Bank Money Market Checking	N/A	79,389	N/A
GE Capital Corp. Commercial Paper	>1 year	457,777	S&P A1+P1
Morgan Stanley Commercial Paper	>1 year	397,861	S&P A1+P1
Public Funds MMA	N/A	223,472	S&P AAA
Special MMIA	N/A	304,748	N/A
Dreyfus Money Fund	N/A	9,069	N/A
		<u>\$ 2,781,970</u>	

### **Investment and deposit risk:**

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturity dates on the City's investments are noted above.

*Credit risk.* The City's investment policy does not have specific limits in excess of state law on investment credit risk. Credit ratings on the City's investments are noted above.

*Custodial credit risk deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year-end, approximately \$2,725,476 of the City's bank balance of \$3,576,279 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. However, while uninsured and unregistered, the City's funds are not exposed to custodial credit risk since the securities are held in the counterparty's trust department in the City's name.

# CITY OF IMLAY CITY

## NOTES TO FINANCIAL STATEMENTS

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*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified below. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk. More than 5 percent of the City's investments are in the Treasury portfolio sweep account, GE Capital Corp. commercial paper, Morgan Stanley commercial paper, Public Funds MMA, and the Special MMIA. All investments held at year-end are reported above.

The City is authorized by statute to invest surplus funds in the following:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940, limited to mutual fund securities whose intention is to maintain a net asset value of \$1.00 per share.
- g. External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

The City Council is authorized to designate depositories for City funds, and to determine that the funds are invested in accordance with State of Michigan statutory authority.

The City's deposits are in accordance with statutory authority.

**CITY OF IMLAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**

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**B. RECEIVABLES**

Receivables as of year-end for the government's governmental and business-type activities in the aggregate, are as follows:

	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>	<b><u>Component Units</u></b>
Receivables:			
Accounts	\$ 43,517	\$ 115,883	\$ 749
Intergovernmental	97,740	-	-
Loans			
Due within one year	7,830	-	-
Due after one year	<u>20,354</u>	<u>-</u>	<u>-</u>
Total receivables	<u>\$ 169,441</u>	<u>\$ 115,883</u>	<u>\$ 749</u>

**CITY OF IMLAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**

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**C. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2008, was as follows:

	<u><b>Beginning Balance</b></u>	<u><b>Additions</b></u>	<u><b>Disposals</b></u>	<u><b>Ending Balance</b></u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 925,703	\$ -	\$ -	\$ 925,703
Construction in progress	-	160,363	-	160,363
Total capital assets not being depreciated	<u>925,703</u>	<u>160,363</u>	<u>-</u>	<u>1,086,066</u>
Capital assets being depreciated:				
Land improvements	\$ 377,590	\$ 4,360	\$ -	\$ 381,950
Roads and sidewalks	946,562	69,848	-	1,016,410
Infrastructure	1,399,217	-	-	1,399,217
Buildings and improvements	2,189,770	-	-	2,189,770
Vehicles	898,029	-	-	898,029
Machinery and equipment	1,715,700	251,423	-	1,967,123
Total capital assets being depreciated	<u>7,526,868</u>	<u>325,631</u>	<u>-</u>	<u>7,852,499</u>
Less accumulated depreciation				
Land improvements	(144,397)	(18,175)	-	(162,572)
Roads and sidewalks	(90,166)	(58,496)	-	(148,662)
Infrastructure	(67,500)	(69,961)	-	(137,461)
Buildings and improvements	(832,207)	(43,302)	-	(875,509)
Vehicles	(632,282)	(57,030)	-	(689,312)
Machinery and equipment	<u>(942,114)</u>	<u>(103,910)</u>	<u>-</u>	<u>(1,046,024)</u>
Total accumulated depreciation	<u>(2,708,666)</u>	<u>(350,874)</u>	<u>-</u>	<u>(3,059,540)</u>
Total capital assets being depreciated, net	<u>4,818,202</u>	<u>(25,243)</u>	<u>-</u>	<u>4,792,959</u>
<b>Governmental activities capital assets, net</b>	<u><b>\$ 5,743,905</b></u>	<u><b>\$ 135,120</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 5,879,025</b></u>

**CITY OF IMLAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**

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	<u><b>Beginning Balance</b></u>	<u><b>Additions</b></u>	<u><b>Disposals</b></u>	<u><b>Ending Balance</b></u>
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land and land rights	\$ 55,798	\$ -	\$ -	\$ 55,798
Capital assets being depreciated:				
Treatment plant	10,163,169	-	-	10,163,169
Water and sewer system	3,139,758	204,025	-	3,343,783
Equipment	192,858	-	-	192,858
Water tower	<u>936,526</u>	<u>-</u>	<u>-</u>	<u>936,526</u>
Total capital assets being depreciated	<u>14,432,311</u>	<u>204,025</u>	<u>-</u>	<u>14,636,336</u>
Less accumulated depreciation:				
Treatment plant	(3,383,260)	(244,298)	-	(3,627,558)
Water and sewer system	(1,332,013)	(72,172)	-	(1,404,185)
Equipment	(126,570)	(8,252)	-	(134,822)
Water tower	<u>(205,417)</u>	<u>(18,730)</u>	<u>-</u>	<u>(224,147)</u>
Total accumulated depreciation	<u>(5,047,260)</u>	<u>(343,452)</u>	<u>-</u>	<u>(5,390,712)</u>
Total capital assets being depreciated, net	<u>9,385,051</u>	<u>(139,427)</u>	<u>-</u>	<u>9,245,624</u>
<b>Business-type activities capital assets, net</b>	<u><b>\$ 9,440,849</b></u>	<u><b>\$ (139,427)</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 9,301,422</b></u>

**CITY OF IMLAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**

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Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental activities:**

General government	\$ 15,044
Public safety	107,919
Public works	36,664
Culture and recreation	142,104
Capital assets held by the government's internal funds are charged to various functions based on their usage of the assets	<u>49,143</u>

Total depreciation expense – governmental activities	<u>\$ 350,874</u>
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**Business-type activities:**

Water and Sewer	<u>\$ 343,452</u>
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**Construction commitments**

The City has an active construction project as of June 30, 2008, for the back up well improvements. At year-end the City had a commitment with contractors in the amount of \$212,027.

**CITY OF IMLAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**

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	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
<b>Discretely presented component unit</b>				
Capital assets not being depreciated				
Land	\$ _____ -	\$ 113,477	\$ _____ -	\$ 113,477
Capital assets being depreciated:				
Land improvements	947,797	-	-	947,797
Equipment	<u>10,110</u>	<u>10,400</u>	<u>          -</u>	<u>20,510</u>
Total capital assets being depreciated	<u>957,907</u>	<u>10,400</u>	<u>          -</u>	<u>968,307</u>
Less accumulated depreciation:				
Land improvements	(40,718)	(51,054)	-	(91,772)
Equipment	<u>          -</u>	<u>(2,484)</u>	<u>          -</u>	<u>(2,484)</u>
Total accumulated depreciation	<u>(40,718)</u>	<u>(53,538)</u>	<u>          -</u>	<u>(94,256)</u>
Total capital assets being depreciated, net	<u>917,189</u>	<u>(43,138)</u>	<u>          -</u>	<u>874,051</u>
<b>Discretely presented component unit capital assets, net</b>	<u>\$ 917,189</u>	<u>\$ 70,339</u>	<u>\$           -</u>	<u>\$ 987,528</u>



# CITY OF IMLAY CITY

## NOTES TO FINANCIAL STATEMENTS

### D. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2008, is as follows:

<u>Due To</u>	<u>Due From</u>
	<u>Internal Service Fund</u>
General Fund	\$ <u>1,959</u>

The interfund receivable and payable for the City consists of an amount due to the General fund to eliminate a negative cash balance in the Internal Service Fund.

<u>Transfer To:</u>	<u>Transfer From:</u>				
	General	Lamb Steele	Nonmajor Govt	Enterprise	Total
General	\$ -	\$ 10,000	\$ 2,000	\$ 7,500	\$ 19,500
Nonmajor governmental funds	<u>33,599</u>	<u>-</u>	<u>97,915</u>	<u>84,394</u>	<u>215,908</u>
Total	<u>\$ 33,599</u>	<u>\$ 10,000</u>	<u>\$ 99,915</u>	<u>\$ 91,894</u>	<u>\$ 235,408</u>

The interfund transfers are budgeted to cover other non-funded operating expenditures or debt payments.

### E. LONG-TERM DEBT

Long-term obligations for the year ended June 30, 2008, were as follows:

	<u>Balance</u> <u>July 1,</u> <u>2007</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance</u> <u>June 30,</u> <u>2008</u>	<u>Due Within</u> <u>One Year</u>
<b>PRIMARY GOVERNMENT</b>					
<b>Governmental activities:</b>					
General obligation bonds:					
1992 general obligation					
unlimited tax bonds, annual					
installments of \$25,000 to					
\$65,000 through September					
2007, interest at 6.00- 6.15%.	\$ 65,000	\$ -	\$ (65,000)	\$ -	\$ -

**CITY OF IMLAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**

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	<b>Balance July 1, 2007</b>	<b><u>Additions</u></b>	<b><u>(Reductions)</u></b>	<b>Balance June 30, 2008</b>	<b><u>Due Within One Year</u></b>
2005 general obligation limited tax refunding bonds, annual installments of \$55,000 to \$100,000 through February 2025, interest at 3.00-4.55%.	\$1,325,000	\$ -	\$ (55,000)	\$ 1,270,000	\$ 55,000
Installment purchase contracts: 1999 State of Michigan Prospective Business and Industrial Park Loan, annual installments of \$19,679 through 2014.	128,170	-	(19,679)	108,491	19,679
2004 Fire Truck commercial promissory note, annual installments of \$30,260 to \$33,380 through April 2009, interest at 2.45%.	65,947	-	(32,567)	33,380	33,380
2007 Ford utility truck, monthly installments of \$975 through January 2012, interest at 3.09%.	43,354	-	(10,363)	32,991	10,681
Bobcat, 2006, annual installments of \$3,568 to \$4,376 through January 2010, interest at 3.09%.	16,205	-	(3,874)	12,331	3,994
Environmental remediation	18,937	-	(10,149)	8,788	8,788
Compensated absences	<u>201,877</u>	<u>-</u>	<u>(19,122)</u>	<u>182,755</u>	<u>91,378</u>
Total	<u>\$1,864,490</u>	<u>\$ -</u>	<u>\$ (215,754)</u>	<u>\$ 1,648,736</u>	<u>\$222,900</u>

**CITY OF IMLAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**

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	<b>Balance July 1, 2007</b>	<b>Additions</b>	<b>(Reductions)</b>	<b>Balance June 30, 2008</b>	<b>Due Within One Year</b>
<b>Business-type activities:</b>					
General obligation bonds:					
2004 limited tax general obligation refunding bonds, annual installments of \$80,000 to \$370,000 through October 2015, interest at 2.00- 3.90%.	\$1,430,000	\$ -	\$ (90,000)	\$1,340,000	\$ 85,000
Revenue bonds:					
1995 revenue bonds, annual installments of \$10,000 to \$60,000 through October 2015, interest at 5.30-5.90%.	440,000	-	(40,000)	400,000	40,000
2001 revenue bonds, annual installments of \$65,000 to \$180,000 through October 2021, interest at 4.375-5.60%	<u>1,835,000</u>	<u>-</u>	<u>(80,000)</u>	<u>1,755,000</u>	<u>85,000</u>
Total	<u>\$3,705,000</u>	<u>\$ -</u>	<u>\$ (210,000)</u>	<u>\$3,495,000</u>	<u>\$ 210,000</u>

**Primary Government**

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

# CITY OF IMLAY CITY

## NOTES TO FINANCIAL STATEMENTS

The annual requirements to pay future principal and interest on the primary government's bonds and installment contracts are as follows:

<b>Year ending June 30,</b>	<b><u>Governmental Activities</u></b>		<b><u>Business-type Activities</u></b>	
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2009	\$ 122,734	\$ 56,293	\$ 210,000	\$ 159,473
2010	89,811	53,083	220,000	150,554
2011	95,194	50,690	225,000	140,912
2012	79,679	47,930	235,000	130,532
2013	84,679	45,650	235,000	119,557
2014-2018	360,096	186,460	1,715,000	343,404
2019-2023	425,000	104,355	655,000	75,460
2024-2025	<u>200,000</u>	<u>13,650</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,457,193</u>	<u>\$ 558,111</u>	<u>\$ 3,495,000</u>	<u>\$ 1,119,892</u>

	<b><u>Balance</u></b>		<b><u>Balance</u></b>		<b><u>Due Within</u></b>
	<b><u>July 1, 2007</u></b>	<b><u>Additions</u></b>	<b><u>(Reductions)</u></b>	<b><u>June 30, 2008</u></b>	
<b>COMPONENT UNIT</b>					
Note payable:					
Historic Depot District 3rd Street Improvements					
Phase II annual installments of					
\$38,963 to \$87,810 through 2015,					
interest at 3.8%	\$579,498	\$ -	\$(67,397)	\$512,101	\$ 69,931
Installment Contract 150 Bancroft					
annual installments of \$19,501 to					
\$22,435 through 2013,					
interest at 3.8%	<u>-</u>	<u>105,000</u>	<u>-</u>	<u>105,000</u>	<u>19,501</u>
Total	<u>\$579,498</u>	<u>\$105,000</u>	<u>\$(67,397)</u>	<u>\$617,101</u>	<u>\$ 89,432</u>

**CITY OF IMLAY CITY**  
**NOTES TO FINANCIAL STATEMENTS**

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The annual requirements to pay future principal and interest on the note and installment contract payable are as follows:

<b><u>Year ending June 30,</u></b>	<b><u>Governmental Activities</u></b>	
	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2009	\$ 89,432	\$ 26,753
2010	92,930	23,256
2011	96,500	19,685
2012	100,206	15,979
2013	103,821	12,364
2014-2015	<u>134,112</u>	<u>13,026</u>
Total	<u>\$ 617,101</u>	<u>\$ 111,063</u>

For the governmental activities, compensated absences and environmental liabilities are generally liquidated by the general fund.

During the June 30, 2005, fiscal year, the City issued \$1,600,000 in general obligation bonds with an average interest rate of 3.6%. The proceeds of these bonds were used to advance refund \$1,500,000 of outstanding general obligation bonds with an average interest rate of 5.7%. The balance of the defeased debt outstanding at June 30, 2008, was \$1,295,000

#### **IV. OTHER INFORMATION**

##### **A. DEFINED BENEFIT PENSION PLAN**

###### **Plan Description**

The City's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System of Michigan ("MERS"), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

# CITY OF IMLAY CITY

## NOTES TO FINANCIAL STATEMENTS

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### **Funding Policy**

The City is required to contribute at an actuarially determined rate; the current rate is 13.19% of annual covered general payroll and 11.62% of annual covered police and fire payroll. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the City, depending on the MERS contribution program adopted by the City.

### **Annual Pension Cost**

For the year ended June 30, 2008, the City's annual pension cost of \$132,969 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2005, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 12.9% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect market value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2007, the date of the latest actuarial valuation, was 30 years.

### **Three-Year Trend Information**

<b><u>Fiscal Year Ending</u></b>	<b><u>Annual Pension Cost (APC)</u></b>	<b><u>Percentage of APC Contributed</u></b>	<b><u>Net Pension Obligation</u></b>
6/30/06	\$117,107	100%	\$0
6/30/07	129,902	100	0
6/30/08	132,969	100	0

### **Schedule of Funding Progress**

<b><u>Actuarial Valuation Date</u></b>	<b><u>Actuarial Value of Assets (a)</u></b>	<b><u>Actuarial Accrued Liability (AAL) -Entry Age (b)</u></b>	<b><u>Unfunded AAL (UAAL) (b-a)</u></b>	<b><u>Funded Ratio (a/b)</u></b>	<b><u>Covered Payroll (c)</u></b>	<b><u>UAAL as a Percentage of Covered Payroll (b-a/c)</u></b>
12/31/05	\$3,036,533	\$3,841,601	\$805,068	79%	\$1,021,678	79%
12/31/06	3,354,216	4,069,194	714,978	82	1,003,199	71
12/31/07	3,648,011	4,465,941	817,930	82	995,788	82

# **CITY OF IMLAY CITY**

## **NOTES TO FINANCIAL STATEMENTS**

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### **B. PROPERTY TAXES**

City property taxes are attached as an enforceable lien on property as of July 1 and are due without penalty on or before July 31. Real property taxes not collected as of March 1 are turned over to Lapeer County for collection, which advances the City 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer. Property taxes levied in July of each year are recognized as revenue in that year.

The City acts as a collection agent for the State of Michigan, Lapeer County and the local school district.

Taxes collected on behalf of the school district, Lapeer County and the State of Michigan are turned over immediately following collection and are accounted for in the agency fund.

### **C. CONTINGENCIES AND COMMITMENTS**

Under the terms of various Federal and State grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. However, City management does not believe such disallowances, if any, will be material to the financial position of the City.

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**CITY OF IMLAY CITY**

**GENERAL FUND**

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES**

**BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2008**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Taxes				
Current property taxes	\$ 1,461,424	\$ 1,465,078	\$ 1,456,238	\$ (8,840)
Tax administration fees	10,000	16,000	19,500	3,500
Trailer park fees	1,200	1,200	1,183	(17)
Total taxes	1,472,624	1,482,278	1,476,921	(5,357)
Intergovernmental revenue - State of Michigan				
State grants	64,800	93,730	95,520	1,790
Sales tax	358,545	403,852	403,852	-
Liquor license	4,300	4,300	4,101	(199)
Total intergovernmental revenue - State of Michigan	427,645	501,882	503,473	1,591
Charges for services				
Refuse collections	102,475	109,020	106,837	(2,183)
Swimming program	15,000	15,000	14,499	(501)
Snack shop	900	900	709	(191)
5K run registration fee	2,300	1,954	2,189	235
Zoning fees	12,000	7,000	10,514	3,514
Inspections	10,000	7,000	6,200	(800)
Fire protection	45,000	45,000	47,250	2,250
Street lighting	450	455	455	-
Administration	70,000	70,000	62,942	(7,058)
Miscellaneous charges	13,000	18,500	19,590	1,090
Total charges for services	271,125	274,829	271,185	(3,644)
Fines and forfeits	45,250	7,850	6,499	(1,351)
Licenses and permits	200	700	2,350	1,650
Other revenue				
Miscellaneous	7,000	10,630	13,478	2,848
Franchise fees	23,000	23,000	24,637	1,637
Rent	20,235	20,235	20,332	97
Reimbursements	17,000	17,000	7,281	(9,719)
Total other revenue	67,235	70,865	65,728	(5,137)
Interest income	80,000	90,000	104,278	14,278
Other financing sources				
Transfer in	29,500	19,500	19,500	-
Total revenues	\$ 2,393,579	\$ 2,447,904	\$ 2,449,934	\$ 2,030



# CITY OF IMLAY CITY

## GENERAL FUND SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Legislative	\$ 103,027	\$ 144,645	\$ 139,510	\$ (5,135)
General government				
City Manager	116,116	117,001	116,161	(840)
Assessor	30,150	28,647	27,345	(1,302)
Clerk/Treasurer	172,335	156,004	158,275	2,271
Building maintenance	22,110	26,832	13,465	(13,367)
Rental inspection	23,360	29,057	30,939	1,882
Planning commission	46,640	36,470	55,074	18,604
Total general government	410,711	394,011	401,259	7,248
Public safety				
Police department	968,085	858,920	852,743	(6,177)
Fire department	186,552	169,680	348,831	179,151
Lapeer County EMS	7,107	7,107	7,107	-
Total public safety	1,161,744	1,035,707	1,208,681	172,974
Public works	425,820	375,204	369,111	(6,093)
Recreation and cultural	132,010	191,901	179,431	(12,470)
Insurance	13,000	18,000	13,000	(5,000)
Debt service	34,208	34,208	34,210	2
Total expenditures	2,280,520	2,193,676	2,345,202	151,526
Other financing uses - transfer out	39,200	39,099	33,599	(5,500)
Total expenditures and financing uses	\$ 2,319,720	\$ 2,232,775	\$ 2,378,801	\$ 146,026

# CITY OF IMLAY CITY

## GENERAL FUND

### DETAIL SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Legislative				
Wages and benefits	\$ 27,807	\$ 30,633	\$ 30,474	\$ (159)
Audit and accounting	6,720	37,744	38,082	338
Contractual servcies	11,000	7,500	7,000	(500)
Legal services	28,000	33,000	28,177	(4,823)
Transportation and conferences	2,650	7,000	7,026	26
Community promotion	2,000	2,000	1,527	(473)
Contributions to Lapeer Development Corp.	7,500	7,500	7,500	-
Other	17,350	19,268	19,724	456
Total legislative	103,027	144,645	139,510	(5,135)
General government				
City Manager				
Wages and benefits	103,416	104,661	104,779	118
Office supplies	300	600	588	(12)
Contractual servcies	1,000	1,140	1,215	75
Transportation and conferences	5,000	5,000	4,133	(867)
Telephone	1,800	1,000	1,147	147
Car allowance	3,600	3,600	3,600	-
Capital outlay	1,000	1,000	699	(301)
Total city manager	116,116	117,001	116,161	(840)
Assessor				
Wages and benefits	700	592	727	135
Office supplies	2,500	1,500	1,620	120
Contractual servcies	26,000	26,000	24,397	(1,603)
Telephone	900	500	546	46
Printing and publishing	50	55	55	-
Total assessor	30,150	28,647	27,345	(1,302)
Clerk/Treasurer				
Wages and benefits	136,535	124,910	126,916	2,006
Office supplies	6,300	4,100	3,760	(340)
Postage	8,000	8,000	8,664	664
Contractual services	8,500	7,900	6,655	(1,245)
Telephone	1,500	1,500	1,392	(108)
Transportation and conferences	3,000	2,500	3,069	569
Printing and publishing	2,000	1,200	1,925	725
Capital outlay	6,500	5,894	5,894	-
Total clerk/treasurer	172,335	156,004	158,275	2,271

# CITY OF IMLAY CITY

## GENERAL FUND

### DETAIL SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES BUDGET AND ACTUAL (CONTINUED)

**FOR THE YEAR ENDED JUNE 30, 2008**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
General government (continued)				
Building maintenance				
Insurance	\$ 710	\$ 632	\$ 632	\$ -
Repair and maintenance	12,000	18,000	4,238	(13,762)
Utilities	9,400	8,200	8,595	395
Total building maintenance	22,110	26,832	13,465	(13,367)
Rental inspection				
Wages and benefits	16,110	24,632	24,802	170
Office supplies	250	425	397	(28)
Contractual services	7,000	4,000	5,740	1,740
Total rental inspection	23,360	29,057	30,939	1,882
Planning commission				
Wages and benefits	915	645	840	195
Supplies	100	100	178	78
Contractual services	45,000	35,000	53,183	18,183
Transportation and conferences	225	225	195	(30)
Printing and publishing	400	500	678	178
Total planning commission	46,640	36,470	55,074	18,604
Total general government	410,711	394,011	401,259	7,248
Public safety				
Police department				
Wages and benefits	790,615	712,933	747,035	34,102
Supplies	3,150	3,150	3,302	152
Clothing	3,250	5,900	6,113	213
Liquor control	6,300	6,300	6,446	146
Contractual services	34,500	10,350	9,794	(556)
Telephone	6,900	6,900	4,504	(2,396)
Transportation and conferences	1,500	1,500	255	(1,245)
Insurance	14,950	14,667	14,667	-
Repair and maintenance	22,500	22,500	14,139	(8,361)
Utilities	4,000	4,900	4,223	(677)
Gas and oil	15,500	15,500	18,096	2,596
Training	2,500	2,500	3,260	760
Capital outlay	57,920	47,820	19,169	(28,651)
Other	4,500	4,000	1,740	(2,260)
Total police department	968,085	858,920	852,743	(6,177)

# CITY OF IMLAY CITY

## GENERAL FUND

### DETAIL SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Public safety (continued)				
Fire department				
Salaries, wages and benefits	\$ 89,022	\$ 72,150	\$ 74,214	\$ 2,064
Supplies	3,500	3,500	1,827	(1,673)
Clothing	2,500	2,500	1,208	(1,292)
Extinguisher recharges	1,500	1,500	1,387	(113)
Contractual services	3,000	3,000	1,736	(1,264)
Telephone	2,050	2,050	2,051	1
Transportation and conferences	1,000	1,000	112	(888)
Insurance	5,435	5,435	5,209	(226)
Repair and maintenance	23,750	23,750	13,631	(10,119)
Utilities	9,600	9,600	7,134	(2,466)
Gas and oil	3,500	3,500	3,218	(282)
Training	5,000	5,000	3,563	(1,437)
Capital outlay	31,815	31,815	232,049	200,234
Other	4,880	4,880	1,492	(3,388)
Total fire department	186,552	169,680	348,831	179,151
Lapeer County EMS	7,107	7,107	7,107	-
Total public safety	1,161,744	1,035,707	1,208,681	172,974
Public works				
Wages and benefits	179,165	161,667	165,062	3,395
Supplies	6,000	9,000	8,313	(687)
Clothing	4,100	4,100	4,223	123
Contracted services	12,000	(10,000)	868	10,868
Garbage collection	102,475	103,000	98,703	(4,297)
Telephone	2,500	2,200	2,981	781
Transportation and conferences	1,000	1,000	810	(190)
Printing and publishing	250	400	715	315
Insurance	1,480	1,392	1,388	(4)
Utilities	45,850	43,945	43,415	(530)
Repairs and maintenance	6,500	6,000	4,821	(1,179)
Rent	36,000	35,000	31,070	(3,930)
Capital outlay	15,500	14,500	814	(13,686)
Other	13,000	3,000	5,928	2,928
Total public works	425,820	375,204	369,111	(6,093)

# CITY OF IMLAY CITY

## GENERAL FUND

### DETAIL SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Recreational and culture				
Wages and benefits	\$ 61,900	\$ 62,400	\$ 53,366	\$ (9,034)
Supplies	7,500	6,000	5,053	(947)
Contractual services	2,000	2,000	5,520	3,520
Telephone	350	500	448	(52)
Insurance	1,960	1,880	1,882	2
Utilities	3,300	3,300	3,309	9
Rent	15,000	18,000	12,268	(5,732)
Capital outlay	35,000	95,000	95,588	588
Other	2,000	1,000	76	(924)
5K race	3,000	1,821	1,921	100
Total recreational and cultural	132,010	191,901	179,431	(12,470)
Debt service				
Principal	32,566	32,566	32,567	1
Interest and fiscal charges	1,642	1,642	1,643	1
Total debt service	34,208	34,208	34,210	2
Insurance	13,000	18,000	13,000	(5,000)
Total expenditures	2,280,520	2,193,676	2,345,202	151,526
Other financing uses - transfers out	39,200	39,099	33,599	(5,500)
Total expenditures and other financing uses	\$ 2,319,720	\$ 2,232,775	\$ 2,378,801	\$ 146,026

**CITY OF IMLAY CITY**

**COMBINING BALANCE SHEET**

**NONMAJOR GOVERNMENTAL FUNDS**

**JUNE 30, 2008**

	Special Revenue Funds				
	Major Streets	Local Streets	Industrial Park Development	Drug Forfeiture	Industrial Park Revolving Loan
Assets					
Cash	\$ 55,501	\$ 17,276	\$ 10,314	\$ 3,252	\$ 1,729
Investments	436,151	87,953	35,879	5,000	21,379
Loans receivable	-	-	-	-	28,184
Due from other governmental units	15,481	4,747	-	-	-
Total assets	<u>\$ 507,133</u>	<u>\$ 109,976</u>	<u>\$ 46,193</u>	<u>\$ 8,252</u>	<u>\$ 51,292</u>
Liabilities and fund equity					
Liabilities					
Accounts payable	\$ 13,863	\$ 2,610	\$ 1,388	\$ -	\$ 641
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,184</u>
Total liabilities	<u>13,863</u>	<u>2,610</u>	<u>1,388</u>	<u>-</u>	<u>28,825</u>
Fund equity					
Unreserved:					
Undesignated	<u>493,270</u>	<u>107,366</u>	<u>44,805</u>	<u>8,252</u>	<u>22,467</u>
Total liabilities and fund equity	<u>\$ 507,133</u>	<u>\$ 109,976</u>	<u>\$ 46,193</u>	<u>\$ 8,252</u>	<u>\$ 51,292</u>

Debt Service Funds		Capital Projects Fund	
2005 General Obligation Bonds	General Obligation Unlimited Tax Bonds	2005 Capital Projects	Total
\$ -	\$ 7	\$ 283,721	\$ 371,800
-	-	-	586,362
-	-	-	28,184
-	-	-	20,228
<u>\$ -</u>	<u>\$ 7</u>	<u>\$ 283,721</u>	<u>\$ 1,006,574</u>
\$ -	\$ -	\$ 128,612	\$ 147,114
-	-	-	28,184
-	-	128,612	175,298
-	7	155,109	831,276
<u>\$ -</u>	<u>\$ 7</u>	<u>\$ 283,721</u>	<u>\$ 1,006,574</u>

**CITY OF IMLAY CITY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2008**

	Special Revenue Funds				
	Major Streets	Local Streets	Industrial Park Development	Drug Forfeiture	Industrial Park Revolving Loan
Revenues					
Gas and weight tax	\$ 202,605	\$ 58,178	\$ -	\$ -	\$ -
State grants	12,990	-	-	-	-
Interest	27,333	7,983	2,812	192	1,527
Other	513	16	-	1,999	-
Total revenues	243,441	66,177	2,812	2,191	1,527
Expenditures					
Public safety	-	-	-	1,216	-
Public works	120,900	93,839	7,058	-	696
Capital outlay	-	-	-	-	-
Debt service					
Principal	-	-	19,679	-	-
Interest	-	-	-	-	-
Total expenditures	120,900	93,839	26,737	1,216	696
Revenues over (under) expenditures	122,541	(27,662)	(23,925)	975	831
Other financing sources (uses)					
Transfers in	-	37,500	-	-	-
Transfers out	(64,378)	(33,537)	-	-	(2,000)
Total other financing sources (uses)	(64,378)	3,963	-	-	(2,000)
Net change in fund balances	58,163	(23,699)	(23,925)	975	(1,169)
Fund balances, beginning of year	435,107	131,065	68,730	7,277	23,636
Fund balances, end of year	\$ 493,270	\$ 107,366	\$ 44,805	\$ 8,252	\$ 22,467



Debt Service Funds		Capital Projects Fund	
2005 General Obligation Bonds	General Obligation Unlimited Tax Bonds	2005 Capital Projects	Total
\$ -	\$ -	\$ -	\$ 260,783
-	-	-	12,990
-	-	10,352	50,199
-	-	-	2,528
-	-	10,352	326,500
-	-	-	1,216
-	-	-	222,493
-	-	160,529	160,529
55,000	65,000	-	139,679
56,210	2,198	-	58,408
111,210	67,198	160,529	582,325
(111,210)	(67,198)	(150,177)	(255,825)
111,210	67,198	-	215,908
-	-	-	(99,915)
111,210	67,198	-	115,993
-	-	(150,177)	(139,832)
-	7	305,286	971,108
\$ -	\$ 7	\$ 155,109	\$ 831,276

# CITY OF IMLAY CITY

## MAJOR STREETS SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL

**FOR THE YEAR ENDED JUNE 30, 2008**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Intergovernmental revenue				
Gas and weight tax	\$ 190,595	\$ 190,595	\$ 202,605	\$ 12,010
State grants	14,520	14,520	12,990	(1,530)
Interest	20,000	26,880	27,333	453
Other	6,000	2,942	513	(2,429)
Total revenues	231,115	234,937	243,441	8,504
Expenditures				
Routine maintenance	467,475	130,696	85,968	(44,728)
Winter maintenance	25,230	28,675	25,809	(2,866)
Administration	4,435	4,435	4,478	43
Traffic services	8,775	6,745	4,645	(2,100)
State trunkline sweeping and drainage	13,245	-	-	-
Total expenditures	519,160	170,551	120,900	(49,651)
Revenues over (under) expenditures	(288,045)	64,386	122,541	58,155
Other financing sources				
Transfer out	(76,878)	(64,378)	(64,378)	-
Net change in fund balance	(364,923)	8	58,163	58,155
Fund balance, beginning of year	435,107	435,107	435,107	-
Fund balance, end of year	\$ 70,184	\$ 435,115	\$ 493,270	\$ 58,155

# CITY OF IMLAY CITY

## LOCAL STREETS SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Intergovernmental revenue				
Gas and weight tax	\$ 59,885	\$ 59,885	\$ 58,178	\$ (1,707)
Interest	4,500	9,000	7,983	(1,017)
Other	-	46,414	16	(46,398)
Total revenues	64,385	115,299	66,177	(49,122)
Expenditures				
Routine maintenance	77,770	59,855	45,166	(14,689)
Winter maintenance	24,245	53,032	43,638	(9,394)
Administration	4,245	4,245	4,368	123
Traffic services	2,105	2,130	667	(1,463)
Total expenditures	108,365	119,262	93,839	(25,423)
Revenues over (under) expenditures	(43,980)	(3,963)	(27,662)	(23,699)
Other financing sources (uses)				
Transfer in	50,000	37,500	37,500	-
Transfer out	(33,537)	(33,537)	(33,537)	-
Total other financing sources (uses)	16,463	3,963	3,963	-
Net change in fund balance	(27,517)	-	(23,699)	(23,699)
Fund balance, beginning of year	131,065	131,065	131,065	-
Fund balance, end of year	\$ 103,548	\$ 131,065	\$ 107,366	\$ (23,699)

# CITY OF IMLAY CITY

## INDUSTRIAL PARK DEVELOPMENT SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

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	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Interest	\$ 3,500	\$ 3,000	\$ 2,812	\$ (188)
Other	16,179	19,319	-	(19,319)
Total revenues	19,679	22,319	2,812	(19,507)
Expenditures				
Public works	-	2,640	7,058	4,418
Debt service	19,679	19,679	19,679	-
Total expenditures	19,679	22,319	26,737	4,418
Net change in fund balance	-	-	(23,925)	(23,925)
Fund balance, beginning of year	68,730	68,730	68,730	-
Fund balance, end of year	<u>\$ 68,730</u>	<u>\$ 68,730</u>	<u>\$ 44,805</u>	<u>\$ (23,925)</u>

# CITY OF IMLAY CITY

## DRUG FORFEITURE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

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	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Interest	\$ -	\$ 156	\$ 192	\$ 36
Forfeitures	-	1,999	1,999	-
Total revenues	-	2,155	2,191	36
Expenditures				
Public safety	-	1,216	1,216	-
Net change in fund balance	-	939	975	36
Fund balance, beginning of year	7,277	7,277	7,277	-
Fund balance, end of year	\$ 7,277	\$ 8,216	\$ 8,252	\$ 36

# CITY OF IMLAY CITY

## INDUSTRIAL PARK REVOLVING LOAN SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

**FOR THE YEAR ENDED JUNE 30, 2008**

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	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Repayments	\$ -	\$ 605	\$ -	\$ (605)
Interest	<u>1,450</u>	<u>1,450</u>	<u>1,527</u>	<u>77</u>
Total revenues	1,450	2,055	1,527	(528)
Expenditures				
Public works	<u>55</u>	<u>55</u>	<u>696</u>	<u>641</u>
Revenues over expenditures	1,395	2,000	831	(1,169)
Other financing uses				
Transfer out	<u>(2,000)</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>-</u>
Net change in fund balance	(605)	-	(1,169)	(1,169)
Fund balance, beginning of year	<u>23,636</u>	<u>23,636</u>	<u>23,636</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 23,031</u></u>	<u><u>\$ 23,636</u></u>	<u><u>\$ 22,467</u></u>	<u><u>\$ (1,169)</u></u>

**CITY OF IMLAY CITY**

**INTERNAL SERVICE FUNDS**

**COMBINING STATEMENT OF NET ASSETS**

**JUNE 30, 2008**

	Moter Pool	Insurance	Total
Assets			
Current assets			
Cash	\$ 3,766	\$ -	\$ 3,766
Investments	20,000	-	20,000
Total current assets	23,766	-	23,766
Capital assets			
Machinery and equipment	858,591	-	858,591
Less accumulated depreciation	(673,536)	-	(673,536)
Total capital assets	185,055	-	185,055
Total assets	208,821	-	208,821
Current liabilities			
Accounts payable	4,458	-	4,458
Due to other funds	-	1,959	1,959
Current portion - installment purchase	14,675	-	14,675
Total current liabilities	19,133	1,959	21,092
Long-term liabilities			
Installment purchase	30,647	-	30,647
Total liabilities	49,780	1,959	51,739
Net Assets			
Invested in capital assets, net of related debt	139,733	-	139,733
Unrestricted (deficit)	19,308	(1,959)	17,349
Total net assets	\$ 159,041	\$ (1,959)	\$ 157,082

# CITY OF IMLAY CITY

## INTERNAL SERVICE FUNDS COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2008

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	Motor Pool	Insurance	Total
Operating revenues			
Charges for services	\$ 98,918	\$ 7,802	\$ 106,720
Expenditures			
Wages and benefits	52,196	-	52,196
Supplies	8,462	-	8,462
Gas and oil	17,516	-	17,516
Miscellaneous	325	-	325
Repair and maintenance	32,849	-	32,849
Depreciation	49,143	-	49,143
Insurance	6,683	11,641	18,324
Total expenditures	167,174	11,641	178,815
Operating income (loss)	(68,256)	(3,839)	(72,095)
Nonoperating revenues (expenses)			
Interest earned on deposits	2,045	9	2,054
Interest on long-term debt	(1,842)	-	(1,842)
Total nonoperating revenues (expenses)	203	9	212
Change in net assets	(68,053)	(3,830)	(71,883)
Net assets, beginning of year	227,094	1,871	228,965
Net assets, end of year (deficit)	\$ 159,041	\$ (1,959)	\$ 157,082



**CITY OF IMLAY CITY  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2008**

	Motor Pool	Insurance	Total
Cash flows from operating activities			
Cash received from interfund services	\$ 98,918	\$ 9,761	\$ 108,679
Cash payments to employees	(52,196)	-	(52,196)
Cash payments to suppliers for goods and services	(63,344)	(11,641)	(74,985)
	<u>(16,622)</u>	<u>(1,880)</u>	<u>(18,502)</u>
Net cash provided by (used in) operating activities			
Cash from capital and related financing activities			
Principal payments on debt	(14,237)	-	(14,237)
Interest on debt	(1,842)	-	(1,842)
	<u>(16,079)</u>	<u>-</u>	<u>(16,079)</u>
Net cash provided by (used in) capital and related financing activities			
Cash flows from investing activities:			
Sale of investments	25,000	-	25,000
Interest earned on deposits	2,045	9	2,054
	<u>27,045</u>	<u>9</u>	<u>27,054</u>
Net cash provided by (used in) investing activities			
Net increase (decrease) in cash and cash equivalents	(5,656)	(1,871)	(7,527)
Cash and cash equivalents, beginning of year	9,422	1,871	11,293
Cash and cash equivalents, end of year	<u>\$ 3,766</u>	<u>\$ -</u>	<u>\$ 3,766</u>
Cash flows from operating activities:			
Operating income (loss)	\$ (68,256)	\$ (3,839)	\$ (72,095)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	49,143	-	49,143
Changes in operating assets and liabilities which provided (used) cash:			
Accounts payable	2,491	-	2,491
Due to other funds	-	1,959	1,959
	<u>(16,622)</u>	<u>(1,880)</u>	<u>(18,502)</u>
Net cash provided by operating activities	<u>\$ (16,622)</u>	<u>\$ (1,880)</u>	<u>\$ (18,502)</u>

# CITY OF IMLAY CITY

## DOWNTOWN DEVELOPMENT AUTHORITY COMPONENT UNIT STATEMENT OF NET ASSETS AND BALANCE SHEET

JUNE 30, 2008

	DDA	Adjustments	Statement Of Net Assets
Assets			
Cash	\$ 269,580	\$ -	\$ 269,580
Investments	101,171	-	101,171
Accounts receivable	749	-	749
Capital assets, net			
Assets not being depreciated	-	113,477	113,477
Assets being depreciated	-	874,051	874,051
Total assets	<u>\$ 371,500</u>	<u>987,528</u>	<u>1,359,028</u>
Liabilities and fund balance			
Liabilities			
Accounts payable	\$ 27,712	-	27,712
Installment contract			
Due within one year	-	89,432	89,432
Due in more than one year	-	527,669	527,669
Total liabilities	<u>27,712</u>	<u>617,101</u>	<u>644,813</u>
Fund balance			
Undesignated	<u>343,788</u>	<u>(343,788)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 371,500</u>		
Net Assets			
Unrestricted		<u>714,215</u>	<u>714,215</u>
Total net assets		<u>\$ 714,215</u>	<u>\$ 714,215</u>

# CITY OF IMLAY CITY

## DOWNTOWN DEVELOPMENT AUTHORITY COMPONENT UNIT STATEMENT OF ACTIVITIES AND GOVERNMENTAL REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

**FOR THE YEAR ENDED JUNE 30, 2008**

	DDA	Adjustments	Statement Of Activities
Revenues			
Property taxes	\$ 373,117	\$ -	\$ 373,117
Intergovernmental			
Federal grants	204,282	-	204,282
Charges for services	5,815	-	5,815
Interest	11,077	-	11,077
Other	4,598	-	4,598
Total revenues	<u>598,889</u>	<u>-</u>	<u>598,889</u>
Expenditures / expenses			
Wages and benefits	51,653	-	51,653
Supplies	1,510	-	1,510
Postage	2,471	-	2,471
Professional services	46,436	(3,000)	43,436
Repair and maintenance	24,374	-	24,374
Telephone	711	-	711
Transportation and conferences	2,355	-	2,355
Community promotion	8,987	-	8,987
Utilities	19,512	-	19,512
Beautification	154,476	-	154,476
Miscellaneous	23,101	-	23,101
Contractual services	7,500	-	7,500
Depreciation	-	53,538	53,538
Debt service			
Principal	67,397	(67,397)	-
Interest	26,128	-	26,128
Capital outlay	132,352	(120,877)	11,475
Total expenditures / expenses	<u>568,963</u>	<u>(137,736)</u>	<u>431,227</u>
Revenues over (under) expenditures / expenses	29,926	137,736	167,662
Other financing sources			
Proceeds from the issuance of debt	105,000	(105,000)	-
Net change in fund balance / change in net assets	134,926	32,736	167,662
Fund balance / net assets, beginning of year	<u>208,862</u>	<u>337,691</u>	<u>546,553</u>
End of year	<u>\$ 343,788</u>	<u>\$ 370,427</u>	<u>\$ 714,215</u>



**INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

December 10, 2008

Honorable Mayor and Members  
of the City Council  
City of Imlay City  
Imlay City, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Imlay City, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the City of Imlay City, Michigan's basic financial statements, and have issued our report thereon dated December 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Imlay City, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as identified above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Imlay City, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the City Council, grantor agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, looped 'L' at the beginning.